

INDEL MONEY LIMITED(IML)

Auction Policy

The Reserve Bank of India vide circular DNBS.CC.PD.No.266 / 03.10.01 / 2011-12 dated 26 March 2012 titled "Guidelines on Fair Practices Code for NBFCs" has advised NBFCs to put in place an Auction Policy duly approved by the Board of Directors.

Indel Money Limited ('Company') is majorly dealing with lending of gold loans and framed various types of lending schemes to our customers. Borrowers has to repay the loan amount together with the accrued interest and other charges due (if any) latest by the end of the tenure fixed as per norms prevailing in each schemes. The asset pledged under the loan accounts with nil/part repayment (including interest and other charges) within the fixed tenure, shall be taken for public auction after complying with herein laid down process and procedures, as per the RBI norms and regulations.

AUCTION PROCEDURES

As advised in the RBI notifications to put in place an Auction policy duly approved by the Board of Directors, the existing policies and procedure will be replaced in full. IML prefers e-auction and failing which manual auction is resorted to.

(a) Public Auction

The term "Auction" used in the policy shall mean realization of asset pledged under any Gold loan scheme in the Company, through public auction only.

b) Auction Execution

Right from the identification of auction accounts till completion of auction will be monitored and executed by operations department along with audit department. The presence of both the department officials are inevitable at the auction centers and oversee the actual auction proceedings, and they will be entrusted with the responsibility for the proper conduct of auction.

c) Identification of Accounts for Auction

If the current market value of the gold ornaments given as collateral security comes down by 85% due to non-payment of dues, gold price changes, or purity differences assessed during verification, the borrower can make payment or bring additional gold ornaments to proportionate weight or value as per the demand of the company. In the event of failure on the part of the borrower, the company shall have the legitimate rights to sell the ornaments through a public auction by giving 14 days prior notice to the borrower at the given address.

The central operations team has to identify the 'Auction accounts' to initiate and complete the pre-auction procedures adhering to the approved auction policy. In normal circumstances "Auction Accounts" will be identified from the below:

1. Auction after completing the loan tenure

(i) All gold loan accounts in which the interest and other charges not paid in full, on completion of the tenure fixed as per the norms of the scheme.

(ii) All gold loan accounts which has been classified as NPA in accordance with the policies laid down by the Company.

2. Auction before completing the loan tenure

(i) Auction due to breach of margin in the security value – If there is an loss in the realizable value of the asset pledged under any gold loan scheme to cover the dues (Principal + Interest + other charges), such cases can be taken for auction.

(ii) Auction of Gold ornaments identified as spurious / low quality – The loan account in which pledge of spurious / low quality gold ornaments have been detected subsequent to disbursement may be taken up for auction. (Separate approval to be taken from the management to auction such accounts)

- a) Such items will be separated and auction notice will be sent to customers intimating them about the low quality nature of the gold and giving them an opportunity to verify and redeem the items by repaying the dues. In case they fail to repay the dues and close the loan, auction proceedings will be initiated after publishing advertisements in newspapers indicating the time and place of auction, thus giving further time to customer to regularize the account and redeem the ornaments.
- b) Before serving the above notice, purity of the gold ornaments shall be re-verified internally through a competent officer/auditor. Melt test (assaying) of a small portion of the pledged gold may also be resorted to for reconfirming purity if required.
- c) The reserve prices for such spurious/low quality ornaments shall be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. A realistic reserve price will be fixed as per the purity of the ornaments assessed.

d) Authorization for gold auction

Once the accounts have been identified and listed as “Auction Accounts” by Operations team, the proposal in a structured format shall be put up to the ED& CEO for approval. The Audit Team shall ensure that the list is accurate, complete and in compliance with the approved Auction Policy.

e) Intimation to the borrowers

(i) Once an account has been identified as “Auction Accounts” a notice in the local language shall be sent to the borrower by registered post with acknowledgement card requesting them to immediately pay the dues failing which the assets pledged under the

loan account would be put on public auction without further notice for the recovery of the dues in the loan account. The notice should be sent in an approved format furnishing the date, time and venue of the auction.

(ii) If any such notices are returned undelivered to the borrower, intensive action should be taken to locate the borrower, reconfirm the KYC documents and re-evaluate the asset pledged. The responsibility for ensuring the compliance would be vested with the concerned branches from where the loan was processed, unless otherwise instructed by the Company.

(iii) The acknowledgment card or undelivered letters etc. should be preserved and systematically stored for future retrieval. The responsibility to ensure the compliance with the above policy guideline shall vest with the Operations department.

f) Auction centers

(i) The auction should be conducted in the same taluk where the branch is located, so that all the branches, where the auction accounts belong, shall be considered as auction centers.

(ii) The auction can be also conducted in respective zonal offices collectively for the branches, where auction at the branches has not been successfully conducted due to acceptable reasons. Physical movement of auction accounts from various branches to auction centers can be done through Area Managers / regional managers.

(iii) The company management may accord approval for new auction centers from time to time if needed.

(iv) Auction centers should be equipped with appropriate, adequate and functional infrastructure such as space, storage arrangements, CCTV cameras, electronic weighing balance etc.

(v) Adequate insurance coverage and security must be arranged in advance considering the quantity and the number of participants.

g) Auction Announcement

(i) An advertisement showing the details of accounts listed for auction with date, time and venue shall be published in at least two local newspapers, one in a vernacular language and other in a national daily (English language)

(ii) Such notification in newspapers should be published at least 14 days before the scheduled auction date.

(iii) Copy of the auction announcement shall be displayed in the notice board of the branch.

(iv) Compliance of the above policy to be ensured by RM/ZH & Operations Managers.

(h) Auction Lots & Reserve price

(i) The ornaments taken for auction must be segregated into convenient lots to facilitate easy disposal based on various factors such as purity, quality, expected number of participation of bidders and prevailing market rate of gold.

(ii) The ornaments should be auctioned off at a price close to the prevailing market price on the day of auction. A reserve price for each lot to be fixed by the Operations department considering the prevailing market rate and approved by ED & CEO.

iii) The proposed reserve price for auction shall be above 85% of the previous 30 days average closing price of 22 carat gold as declared by IBJA (India Bullion Jewellers Association Ltd). The value of the ornaments of low purity in terms of carat can be proportionately reduced.

(i) Due diligence of participants in Auction and Earnest Money Deposit

(i) A reasonable amount of EMD (Earnest Money Deposit) should be remitted by each participant. The EMD amount will be fixed by Company from time to time considering the volume of auction accounts and prevailing market conditions.

(ii) Any participants to be allowed into the auction hall only after proper KYC verification. Copy of the PAN card shall be collected.

(iii) Representatives of any company/firm can also participate in the bidding by providing a valid authorization letter, Copy of the registration certificate and a copy of the PAN of the company. The representative should submit his/her KYC documents too for verification.

(iv) The pledger also can participate in the auction after remitting the EMD and proper KYC.

(v) Individuals and entities having known criminal background should not be allowed to participate in the auction.

(j) Bidding Confirmation

(i) Bidding can be done only when reasonable number of bidders participates in the auction.

(ii) Each lot/Individual gold packets can be separately taken up for auction for the security reasons and better realization.

(iii) Bidders has the right to inspect the lot/Individual gold packets before commencement of the auction in the presence of authorized officers of the company and approved auctioneer.

(iv) The bid shall be confirmed then and there in favour of the bidder quoting the highest rate after obtaining proper approvals from ED& CEO.

(k) Receipt of bid amount & Delivery of gold to bidders

(i) Once a bid confirmed to a successful bidder, will get 2 days' time to remit settlement amount.

(ii) A letter in a pre-approved format should be obtained from the successful bidder along with the terms and conditions for the remittance of settlement amount which shall be done on the same day of auction.

(iii) Failing of remitting the settlement amount within the time, the bid will be considered as cancelled. The EMD will be forfeited and shall not be refunded to Bidder

(vi) Any amount on auction including the EMD can be collected only by Account payee cheque, DD or through online transfer to Company account.

(v) Bidders will be liable to pay all applicable taxes on the bidding amount (GST etc.) as per the regulatory directions prevailing in the state.

(vi) Gold to be delivered to the successful bidders only after getting bank confirmation on the receipt of bidding amount in full in the account of the Company. An acknowledgement signed in an approved format should be obtained from the bidder on receipt of gold.

(vii) Company needs to collect following documents as mandatory before handing over the ornament / gold packets to the Bidder.

1. GSTIN Certificate copy issued by Govt.
2. PAN Card copy and Aadhaar Card copy
3. Address proof (Shops & establishment / VAT registration certificate)
4. Authorization letter in Letter Head.

(l) Accounting of auction proceeds.

(i) Auction accounts can be settled from the auction proceeds within 1 working day after the receipt confirmed in our bank account.

(ii) Auction charge as approved in the policy can be charged on each auction accounts.

(iii) All Government taxes, Auctioneers commission also to be paid off after completing each auction.

(iv) After finalizing Post Auction Bid, Company should collect approved bid amount inclusive of applicable GST.

(v) The payment towards approved bid to be collected in Electronic mode of payment like NEFT/RTGS /IMPS only.

(m) Re-Auction of Gold

(i) If any lot/Individual gold packets in the auction find no bidders for the reserve price, and the bidding price is considerably low which may cause loss to the Company, such lots/Individual gold packets may be withdrawn from the auction. Follow the below instructions in such situations,

(ii) Inform the Central Operations team and ask them to take adequate approval to hold the auction for the time being.

ii) Such gold ornaments may be taken for melting through an outside agency, in the same lots as taken for auction. Company official in charge should remain present during the melting activity.

(n) Refund of surplus / Recovery of shortfall

(i) Auction Surplus – Any amount in excess after settling the auction accounts, auction charges and applicable charges and commission, will be payable to the borrower.

(ii) Such refund claim from borrower to be verified and settled within 30 working days, and payment to be released.

- a. The surplus generated from the auction is first utilized to settle the customer's existing dues, including outstanding balances on any other active loans, and prior auction losses.
- b. Any remaining surplus after these adjustments is refunded to the customer.
- c. Refunds can be processed either through a cheque or via electronic transfer.
- d. To claim the refund, customers may need to provide necessary documentation, such as a pawn ticket.

(iv) A rightful lien on such surplus may be retained in case the borrower has other unsettled liabilities to the Company, including any liability for the past years, if any.

(v) Auction Loss – Legal action for recovery of shortfall in individual accounts may be considered where required and justified after a cost-benefit analysis is done.

(o) Maintenance of auction File

An auction file must be maintained in the auction center / corporate office under the custody of Auction center in charge and should be produced for internal audit verification.

(p) Disclosure of auction details in the annual report of the Report. The following information regarding the auction must be disclosed in the annual reports of the company:

- > No. of auctions conducted.
- > No. of loan accounts placed for auction.
- > Outstanding value of the auction accounts.
- > Auction excess value fetched.
- > Auction refunded to borrowers
- > Auction loss recovered from borrowers.

(q) Empanelment of Auctioneers, Commission, Roles and responsibility.

Auction can be carried out only through auctioneers empanelled by the company, as approved by the board of directors.

(r) Timelines for sending the demand notices & Auction intimation letters:

Action	Remarks
SMS notification	An SMS notification will be sent to borrower, 7 days prior to maturity date.
Loan recall or demand letter	Loan recall/demand notice will be sent to borrower through registered post by providing 14 days' time to settle the accounts .
Auction intimation letter and newspaper publications	Auction Intimation letter will be sent to borrower through registered post and the list of accounts will be published in two newspapers (English & Vernacular language) providing 14 days' time to settle the accounts and mentioning the auction date & Place.
Branch level auction	Public auction will be conducted at the branch on the scheduled date.
Online auction	If the branch-level auction is unsuccessful, an online auction will be conducted as per the policy.

Action	Remarks
Identification of MTM accounts for auction	MTM accounts will be identified for auction process based on the market price.
Loan recall or demand letter	Loan recall/demand notice will be sent to borrower through registered post by providing 14 days' time to regularize the accounts .
Auction intimation letter and newspaper publications	Auction Intimation letter will be sent to borrower through registered post and the list of accounts will be published in two newspapers (English & Vernacular language) mentioning the auction date & Place. Providing 14 days' time to regularize the accounts.

Branch auction	Public auction will be conducted on the scheduled date at branch
Online auction	If the branch-level auction is unsuccessful, an online auction will be conducted as per the policy.

s) Auction related charges

Sl. No	Particulars	Amount
1	Demand Notice Charges	50.00 /Per letter
2	Auction Notice Charges	50.00/ per letter
3	Newspaper Advertisement Charges	300.00
4	Auction Procedure Charges	500.00
	Total	900.00

(t)Exemption of accounts from scheduling/scheduled auction process

Exemption of accounts from scheduling/scheduled auction process is considered on a cases to case basis where:

- i. Part payments by the borrower evidencing his/her intention to redeem the gold, subject to consent of the borrower.
- ii. Specific request from the customer for postponement from auction.
- iii. Legal issues pending like Police case/Court Order.
- iv. Considering the sentimental value of pledged gold ornaments being personal assets of the borrower, collateral value of the pledged ornaments, destruction of value of pledged ornaments for the borrower on account of auction etc, even if borrower is not able to pay part dues, the Auction Department, at their discretion, can exempt an account or accounts from auction, at the request of the borrower.

(u) General guidelines

- The accounts which have crossed more than 12 months from date of sanction are normally referred for auction
- List of such accounts as on the cut-off date is derived from the IT department with all relevant details.

- This list is forwarded to the respective branches to have a final follow up with the concerned borrowers requesting them to release/ repledge the ornaments.
- The final auction notice by Registered post with AD is send to all such customers whose pledges are proposed for auction.
- The returned acknowledgements/ registered letters are sorted and marked in the postage register, to further process the accounts in which the ACK or returned letter is not received are taken up with post office for confirmation/ sending another letter in cases where necessary.
- The unrealised accounts are then sorted on the basis of the taluk/ town in which the branch which granted the loan is located.
- Paper publication is made in newspapers in English and vernacular language showing the auction details.
- The branches display the details of the auction proposed accounts in their notice board for information of the borrowers.
- Gold inspectors are deputed to the branches from which auction referred packets are to be removed, for checking the ornaments and sealing them.
- The sealed packets are kept in safe custody of the branch, pending transfer to the auction centre branches. The branch however is strictly instructed not to open the sealed packet under any circumstances.
- Along with sealing process, such accounts are marked by the gold inspector in system as “transferred to auction centre”(currently our software does not have such an option), after which the branch cannot transact in the account.
- Even after sealing if any customer wants to release the ornaments it is allowed with the concurrence of HO and the account is retransferred to the branch concerned for remittance of the dues. The particular physical packets in such cases are returned to the branch by deputing gold inspector.
- The sealed packets are then transferred to one of the branches in the taluk/ town which is identified as auction centre, by Area Manager or Regional Manager accompanied by a Branch Manager, on designated dates as authorised by HO.
- The security precautions to be taken while transporting the packets to the auction centre is advised to the officials who transport the sealed packets. The official letter is carried by the person transferring the gold to the auction centre in addition to their official and personal identity cards. The transit of the gold is covered under insurance.
- A gold inspector is deputed to each such centre who will open the sealed packet and check it in the presence of the BM/JC of the auction centre branch and resealed. These branches maintain a register denoting all the relevant details of the gold loan packets received. The packets are kept in the auction centre branch in safe custody with the responsibility of the BM and JC.
- Insurance coverage of the branch is also verified before transferring the gold packets to the centres. Wherever required coverage is obtained for the period required for the additional stock maintained.

- HO officials visit the auction centre branches, verify and receive the ornaments for auction.
- The auctioneer is intimated sufficiently in advance who visits the centre to supervise the entire auction proceedings. He verifies the identity details of the bidders present and certifies the attendance register, Auction token and sale register.
- The eligible bidders are requested to remit the EMD.
- The auction is conducted by HO officials under the supervision of the auctioneer and highest bidder (if the bid amount is above our minimum floor price fixed based on the purity of the gold and is at acceptable levels) is confirmed with the auction allotment.
- The unsuccessful bidders are returned with their earnest money deposited.
- Each auctioned lot is then sealed and kept in the auction centre branch in safe custody.
- The bid amount of each lot is received in our centralised Bank account within two working days and once this is obtained the auction centre branches are instructed in writing to release the lot to the successful bidder after verification of their identity and after obtaining clear acknowledgement of receipt of the ornaments. The sealed packet is opened in the presence of the successful bidder and the weight of the ornament is shown to him before handing over the ornaments. The packets are opened at the time of auction so as to verify the items by the bidder.
- The amount received is accounted in respective loan account after deducting the applicable GST. Tax invoice is issued to the bidder.

ONLINE AUCTION AND ITS PROCESS NOTE

Apart from the auctions in the manual mode as described above, auctions shall also be conducted on online platform [e-auction] provided by reputed service providers who are already in this line of activity. A brief description of the online platform is given below. Currently, the company is engaged with two e-auction platforms to facilitate our online auctions, where registered buyers engage in bidding process through their respective web portals: -

- a. M/s Shriram Automall India Limited.
- b. M/s Auction Tigers

PROCESS NOTE ON ONLINE AUCTION

1. Newspaper publication & final notice to be sent to all the auction listed customers by Indel Money.
2. The date & time of Event will be decided and announced minimum 7-10 days in advance along with tentative list of Gold Packets.
3. Inventory (*Saleable Stock*) to be provided to e-auctioneer in prescribed format.

4. Inventory list to contain the details of location of Gold (Branch), Carat, Gross weight, Net Weight Jewellery type etc.
5. All ornaments to be listed on the website in AS-IS-WHERE IS-WHAT IS condition.
6. The tentative list will be displayed in the Event CALENDAR of e-auctioneer.
7. Indel Money can remove a packet from upcoming or even live auction in case of settlement with the original borrower.
8. Final Saleable list along with starting price / reserve price to be shared one day before the auction.
9. Resolution cases, if any, also to be shared by Indel Money, which will be removed from auction site before or during auction.
10. Auction to be hosted Account wise (LAN wise) within a Branch or Lot wise wherein 3 to 5 accounts (LANs) will become a one bunch or a Lot available for bidding.
11. Auction shall be live on the scheduled date with minimum expected price provided.
12. Buyers who are registered with e-auctioneer shall participate in the e-auction.
13. Upon completion of the auction, highest bidders see their respective status as "Current Highest Bid" AND "Subject to Approval" on the website. Others see their status as "Outbid" or "Lost"
14. Auctioneer will send "Event Completion Report" to Indel money ideally within 1 hour of completion of bidding event.
15. The report shall clearly state the Highest Bid against each Packet including name of the winner along with names and bids of first two runner-up bidders.
16. Indel Money to approve the bids maximum in one day's time. Upon receiving the approval, auctioneer to update the status of bids from "Subject to approval" to "Approved". Winning bidders can now download the WINNING LETTERS.
17. A "Bid Winning Confirmation Mail" containing a link to download the WINNING LETTER will be automatically sent to registered email ids of respective winners.
18. The winning bidder is liable to pay the approved bid amount plus applicable GST in full within 2-3 working days from the day of approval after inspecting the physical gold available at Indel Money branches and take the delivery. Invoice will be issued from Indel Money from corporate office.
19. Dispute(s) pertaining to Weight or Purity (Carat) should be reported at the respective branch and informed to auctioneer and auction team immediately. If found genuine, Indel Money may absolve the bidder from taking the delivery of the same or may accept an appropriate revised quote.
20. Unpicked / Disputed Packets will be put up for re-auction after 5-6 days with necessary corrections including price revision.
21. Payment can be done through third person also with Authorisation letter along with original ID Proof of original buyer and winning letter.